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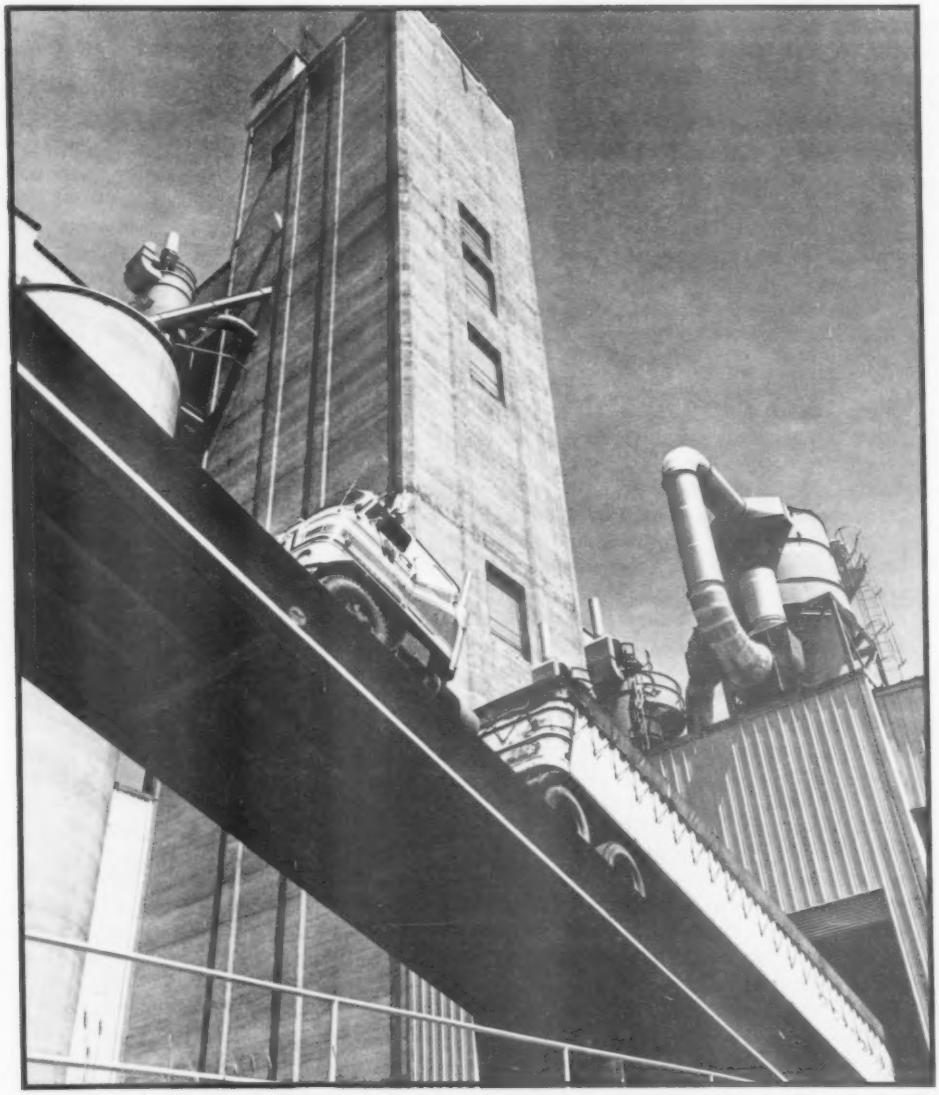

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Grain truck is moved into position to unload its 1,000-bushel cargo at a U.S. export elevator.

Mexican Strawberry Industry Strong Despite Problems

By L. P. Bill Emerson, Jr.

The Mexican strawberry industry has well developed roots, berries having been grown in Mexico for over 100 years. Production declined sharply in the 1970's, but indications are that future output will rebound to levels at least as high as in the late 1960's, provided growers achieve higher yields—a long-term prospect that seems likely.

However, weather and salt-accumulation problems continue to plague growers in some areas and may make it difficult for countrywide production to match the 1968/69 record of 130,000 tons. However, the timing of the Mexican crop —reaching its stride before the U.S. main crop comes in—gives Mexico a strong market for much of its output, although growing California outturn could reduce shipments to the United States.

Over half of Mexico's strawberry crop is exported, either in fresh or processed form. Since the United States is by far Mexico's largest export market, fresh and processed production in Mexico is of significant importance to the marketing of U.S. strawberries.

Mexican berries strongly influence the U.S. market during the winter and spring before the main California crop is harvested. During calendar 1977, Mexican exports of fresh and processed strawberries reached $28 million—the fifth largest Mexican agricultural export to the United States, following coffee, tomatoes, livestock, and beef.

Fresh strawberry exports from Mexico to the United States began sporadically after World War II, but shipments did not start on a regular basis until after 1958. Although fresh exports are not as large as processed exports, they account for about half of the U.S. winter marketings. During 1976/77, U.S. imports from Mexico amounted to 11,910 tons, valued at $6 million.

Processed or frozen strawberry exports from Mexico usually account for 30-45 percent of annual U.S. consumption. Mexico supplies roughly 90 percent of U.S. frozen strawberry imports and is the principal supplier of the small-sized frozen berries to the U.S. institutional market. During 1977 Mexico shipped 39,000 tons of frozen berries to the United States, valued at $22 million.

The majority of Mexico's strawberry production for exports is in frozen form, while roughly one-third is in fresh form. Only top-quality fresh berries are shipped abroad. Large markets for fresh and frozen Mexican berries include Chicago, New Orleans, Houston, New York, Boston, and Philadelphia. Frozen berries are used in the manufacture of ice cream, preserves, and bakery products.

Over three-fourths of Mexico's frozen berry exports to the United States or Canada are shipped in refrigerated trucks, although some are shipped by rail. Frozen exports for Japan and other Asian markets are sent principally by refrigerated ships out of the west coast port of Mazatlan. Exports of frozen berries to Western Europe go by refrigerated ships from Matamoros, an east coast port. Minor quantities are airshipped to Japan and Western Europe.

Exports for Canada or the United States go through entry points along the Texas border, principally Laredo (Nuevo Laredo), Brownsville (Matamoros) and Hidalgo (Ciudad Reynosa).

U.S. imports of frozen strawberries have diminished in recent years, a result of reduced Mexican output and increased U.S. production. Mexican production and exports dropped sharply after the last large crop in 1973/74. During that period, U.S. production reached a record high each year, because of California's expanding output.

Although Mexican growers continue to complain of difficulties inherent in the marketing of strawberries, it appears the industry will endure and eventually expand. Poor management and other factors may result in the demise of some producers, but total supply is expected to increase substantially in the long term. The potential for increased domestic consumption is good.

Production of Mexican strawberries in 1977/78 is down substantially from the previous year's as a consequence of untimely rains and cool, cloudy weather, which resulted in poor fruit setting. Yields dropped by about one-fifth from the preceding year's. Despite a moderate expansion in planted area, the yield drop cut production 11 percent, which amounted to just 83,000 metric tons.

Estimates for 1977/78's frozen-pack output were slashed from 50,000 tons at the start of the season to the current 30,000 tons.

Virtually all of Mexico's commercial strawberry production takes place within the Bajio. The Bajio is an extensive valley stretching across most of Guanajuato and Michoacan States. The lowland extends from the cities of Leon on the north, to Apatzingan on the south, and from Zamora on the west, to Queretaro on the east.

Strawberry production is mostly concentrated around Zamora in Michoacan State and Irapuato in Guanajuato. There are within the Bajio many small valleys ranging in altitude from 1,500-2,500 meters above sea level where strawberries are grown. They are grown at about 1,520 meters near Zamora and 1,700 meters around Irapuato.

The weather is favorable for strawberry production only during the dry season —from September to June. Heavy production occurs usually from February to June, although late frosts

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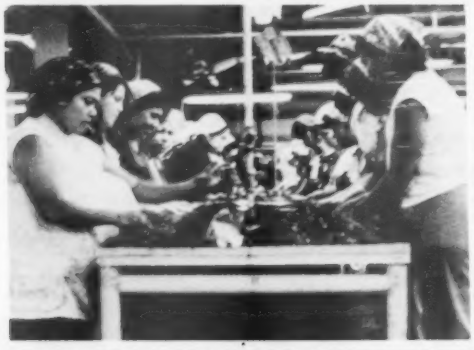


Clockwise from top, left: Workers harvesting strawberries grown on a four-row raised bed; berries are gathered in buckets and workers are paid by the number filled; women packing frozen strawberries in 30-pound cans; interior of packing plant; workers decapping and sorting berries for processing. Large quantities of Mexican strawberries are exported to the United States.

in February and March can delay the harvest. With the arrival of the rainy season—generally from June to September—strawberry production comes to an end.

During February and March, there is a continual dry wind from the west, which sometimes ushers in unusual weather, including freezes. Mexicans have an expression for this weather phenomenon: "Febrero es loco, marzo un poco. (February is crazy, March a little (crazy))."

Several crops compete with strawberries, such as wheat, corn, tomatoes, and onions. Most strawberries are grown on small farms which average about 15-20 hectares for all crops. Strawberries are generally replanted each year during late July, August, and early September, and harvested as late as June.

The majority of Mexico's strawberries are grown on a 3-5 year rotational cycle to lessen the incidence of diseases, although more specialized growers may replant the same area every year, using soil fumigants to combat diseases and pests.

Plant varieties are usually imported from California, although local "viveros" (nurseries) also produce plant-stock for growers. Using the "mother-daughter" system of propagation, viveros plant about 20,000 mother plants per hectare in January and February which, in turn, produce about 500,000 daughter plants per hectare in May and June.

Practically all planting is done by hand. A double-row system of planting on raised beds is the most common. Some growers use the four-row system in order to increase plant population and boost yields. In either system, all runners are pruned. Few growers still practice either the single-row or the matted-row systems.

While rivers are the major source of strawberry irrigation water, many growers pump water from deep wells or from small reservoirs which accumulate surface water during the rainy season. Irrigation water is gravity fed to the fields and then passed through smaller irrigation ditches and furrows throughout the fields.

Fields are watered by furrow irrigation every 6-10 days during the dry season. More specialized growers use drip irrigation systems with plastic hoses, watering either on top of the plants or 2-6 centimeters (cm) under each plant row. Drip irrigation is used more frequently on the larger, more efficient farms, where growers follow other high-cost practices to obtain high yields.

Whether farmers change from furrow to drip irrigation depends on the local cost of water and its availability. Since water is not as scarce or as expensive as it is in California, most Mexican growers now use furrow irrigation.

Fertilizers are used extensively on the heavy clay soils of the Bajio. Growers use up to 900 kilograms (kg) per hectare. A ton of fertilizer costs about US$400.

The first application is usually made in slots dug 3-10 cm under each plant before the strawberries are planted, or beneath a newly prepared row. After the

initial application there are customarily two or three additional sidedressings, made at the growers' discretion. Ammonia sulfate in several strengths and urea are used extensively by growers.

If barnyard manure is available, it is worked into the soil to fertilize and to make the land more friable. Some growers add urea to irrigation water and also lime the soil when preparing it for planting.

The earliest production is mostly for the fresh market, principally supplied from Michoacan. Harvesting of fresh strawberries for export generally ceases in April when California's crop comes onto the market in large volume.

Roughly half of Mexico's total crop is frozen. Freshly picked strawberries are delivered daily to the processing plant. Berries are weighed and sampled to determine waste and the amount of green berries at the time of delivery.

Women decap the berries at the head of the processing line, which usually consists of washers, cleaning tables, a grading machine, and conveyor belts. The berries are selected while on the conveyor and then packed into cans. In some plants, the processing line also includes a mechanical slicer and a puree machine.

Most freezers waterflume berries into a washer. After being rinsed, the berries are sized: Medium, 1.6 cm in diameter and larger; small, 1.0-1.6 cm; and extra-small—below 1.0 cm. The two larger sizes are frozen as whole or sliced berries, while the undersized, overripe, or green berries are mashed and frozen. Large-sized berries are generally selected for the individual quick-frozen or the fresh markets. □

World Sugar Prices Continue To Slump; U.S. Still Only Provisional ISA Member

Successive surplus world sugar harvests since 1974/75 have caused world sugar prices to plummet from a record 64 cents per pound less than 4 years ago to the current level of just over 6 cents .

Although the drop in sugar prices in the past few years has been relatively steady, usually some potential market stabilizing force has moderated or temporarily reversed the decline. However, currently this is not the case—the value of futures contracts hardly reflects the impact of inflation on the dollar.

For example, the New York Coffee and Sugar Exchange world futures contract for September 1978 closed at 6.16 cents per pound on July 18, while the same contract for September 1979 closed at 7.43 cents.

For the short term, there does not seem to be any relief in sight for the sugar industry.

The current estimate for sugar output in 1977/78 is 90.7 million metric tons (raw value)—approximately 4.9 million tons higher than anticipated world sugar consumption.

Stocks at the end of this crop year (August 31) are forecast to be nearly 29 million tons, equivalent to 33 percent of annual needs and the highest stock consumption ratio since the end of the 1968/69 crop year. At the end of the 1973/74 season, stocks represented only 18 percent of consumption.

Assuming normal weather conditions in the world's major sugar producing areas, output in 1978/79 may be slightly below that of the current year. While consumption will be up somewhat, it is unlikely that there will be any substantial decline in stocks.

The International Sugar Agreement (ISA) that became effective provisionally on January 1 was negotiated at a time when sugar prices were declining in the face of stock buildups. The Agreement aims at stabilizing world sugar prices within a range of 11-12 cents per pound.

The primary mechanism for defending the lower end of the price range is that of export quotas. It was envisioned that quotas would be adjusted upward or downward to influence the market price. Quotas were reduced to the lowest allowable level in April, but market prices did not respond by moving upward.

Contributing to the depressed state of world sugar prices has been the sugar policy of the European Community. While the EC participated in the negotiation of the ISA, it has not joined it because of an inability to accept the export quota mechanism. On the other hand, the EC has stated its willingness to negotiate its accession to the Agreement.

Meanwhile, however, the Community has shipped a record amount of sugar; most of it has been white or refined sugar sold at prices that have not reflected the traditional monetary margin between the value of raw and refined sugar. The quantity of EC sugar placed in world trade, as well as the lack of the normal refining premium, has influenced the market price for raw sugar.

Another important factor in the current sugar price picture is the U.S. position vis-a-vis the Agreement. The United States signed the ISA in December 1977 and is currently a provisional member. Since the ISA is considered to be a treaty, complete membership hinges on approval by the Senate.

There is action in Congress to link ISA ratification to new domestic sugar legislation. Several sugar bills have been introduced.

Without ratification of U.S. participation in the ISA, the United States lacks the authority to implement several key elements of the Agreement. At present, there is no authority to limit imports from Agreement nonmembers and to allow for the policing of the payment of the stock financing fee.

This latter feature of the Agreement was to become effective on July 1; however, the date was postponed until October 1 because of the situation in the United States and in some other Agreement participants. □

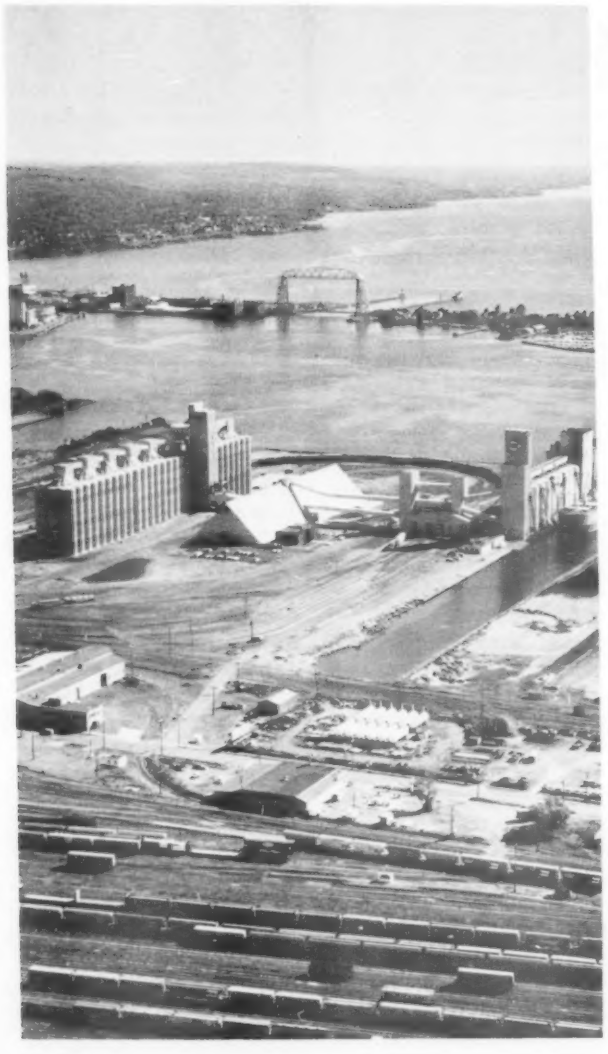
By Robert M. McConnell, Acting Branch Chief, Commodity Analysis, Horticultural and Tropical Products Division, FAS.

U.S. Gears Up To Fight Lingering Transport Snarl

By Donald E. Johnson

The transportation tieup that has plagued U.S. shippers this year eased recently as emergency programs set up to deal with the crisis began to make an impact and problems encountered earlier abated. But a tough test lies ahead as crops now being harvested move into the export pipeline.

Commodity complex, port of Duluth.



As the worst commodity transportation crisis in U.S. history moves into its second semester, the U.S. trade is making a Herculean effort to ensure speedy marketing of the 1978 crops now being harvested.

Private carriers, Government agencies, and trade associations have taken emergency measures to relieve the transport shortages and port congestion that have snarled U.S. shipping throughout 1978.

New rail cars have been ordered—both by the railroads and private operators—and should be moving into use soon. Some of the less congested ports on the Pacific coast and Great Lakes have begun to handle more of the export trade, taking pressure off busy Gulf ports, which since 1970 have handled over 60 percent of annual U.S. grain exports. And no longer are carriers being plagued by the multiplicity of weather-related problems that slowed trade last winter.

The ultimate test—ability to deliver products to foreign customers—also has been met. U.S. grain exports set a near record of 81 million metric tons in the July-June year just ended, and total U.S. farm exports in fiscal 1978 (October-September) are heading for a new high of 116 million tons or more.

However, most sources say that transportation difficulties will continue through 1978.

Demand for transportation certainly will remain heavy during the summer and into the fall, as backlogged orders for railcar service coincide with harvests of 1978 crops. These harvests began in June with the Texas, Oklahoma, Kansas, and Nebraska crops of winter wheat and will continue until the last of the corn is picked in November.

Furthermore, little letup is in sight for foreign buying, since the United States is the only country in the world with sizable stocks of uncommitted grain—some 77 million tons as of July 1, or more than twice the level of 2 years earlier. Additionally, Canada—the second largest grain exporter next to the United States—is ensnarled in a transportation crisis of its own, while some leading U.S. competitors and markets have suffered major grain and oilseed shortfalls this year.

In many ways, today's crunch is reminiscent of that in 1972/73, when record grain sales to the USSR and delays in getting those shipments underway placed tremendous pressure on U.S. carriers, sparking the first major transportation crisis in recent years.

The author is an agricultural marketing specialist with Commodity Analysis Branch, Grain and Feed Division, Foreign Agricultural Service. U.S. railroad statistics were supplied by John C. Crowdus, traffic manager, Agricultural Marketing Service.

The flow of commodities from interior points has been aided by these two new rail facilities at Minneapolis that can handle 10 to 12 hopper cars per hour. Photos in this article and on cover courtesy Cargill, Inc.

Today, there are again rail and barge shortages, overflowing farmer grain elevators, higher differences than normal in farm and terminal elevator prices, shipper detention charges by the Interstate Commerce Commission (ICC), and other signs of disequilibrium.

Such tieups have caused additional hardships for U.S. farmers, who held back on selling last fall when commodity prices were low and recently have tried to capitalize on rising world prices. Unfortunately, their rush to sell caused even greater congestion in the system in some instances and depressed prices at the farm level as increased handling and transportation costs reduced the farmer's net price.

For example, on April 15, 1978, the average farm price in Kansas for Hard Winter wheat was $2.73 versus $3.67 f.o.b. offered at the Gulf for No. 2 Hard Winter ordinary protein wheat. This compares with a Kansas farm price on the same date in 1977 of $2.14 per bushel and a Gulf export price of $2.90.

As in 1972/73, much of the difficulty has revolved around rail transport of grain and other bulk commodities, since railroads move close to two-thirds of such products. But barge, Great Lakes, and ocean shipping also has been affected, as evidenced by the sharp increase this year in barge rates, grain transfer charges, and demurrage.

What Went Wrong

At one time, the standard indicator of trouble ahead was a jump in weekly loadings of grain railcars to 30,000 or more. This year, however, the rules of the game have changed.

According to the Association of American Railroads (AAR), grain car loadings averaged only 22,470 per week in the first 14 weeks of 1978, or some 6 percent below those at the same time in 1977. Recently, loadings have picked up sharply, and the AAR reports that the railroads handled nearly 30 percent more grain in the 5-week period ending June 17 than in the same periods of the 3 previous years. But that recent average of 27,195 carloads per week still was well under the 35,000 handled at times during 1972/73.

Part of the problem lies in the fact that other segments of the economy have discovered the versatility of covered hopper cars. Normally the transport for over three-fourths of U.S. grain shipments, these cars are often allocated to other commodities that will bring higher profits. When a railroad can get $4,000 a car for carrying soda ash, versus $3,000 for grain, it is the soda ash that is shipped.

Moreover, the heaviest commodity shipping this season was forced into a time period when equipment usually is released for other uses. For instance, large shipments of fertilizers were being made to meet spring planting requirements, and coal deliveries were accelerated far beyond normal levels following settlement of the coal strike on March 27.

Consequently, this year only about a fifth of the covered hopper car fleet has been used for grain movement, compared with around 80 percent a few years ago.

Efforts are being made to expand the hopper car supply, but even these have been frustrated. In some cases, existing trackage has been unable to handle the larger, heavier cars now coming on stream, necessitating extensive track repairs before the cars can be used. And a strike from September 1, 1977, to mid-April 1978, at

the main railroad car manufacturing plant kept hopper car numbers as of April some 2,000 below what they might have been.

Such difficulties were exacerbated by some highly unusual circumstances during the past year—ranging from the longshoremen's (International Longshoremen's Association) and coal strikes, to transport tieups and equipment damage resulting from severe winter weather, to explosions at two major grain elevators in the Gulf.

Certainly there was little indication at the beginning of the harvest season last year that a transportation problem was imminent. According to AAR reports, rail activity then was at a low ebb, with some 13,000 grain rail cars in surplus. And throughout the harvest, activity was extremely slow, with farmers continuing to hold crops off the market in hope of higher prices.

Rail car loadings of grain for all of 1977 averaged only 24,037 cars per week, compared with over 38,000 cars a week handled in one flush period of 1973. Covered hopper cars accounted for some 80 percent of these car loadings last year—and 87 percent of the volume—while many of the 80,000-odd boxcars remained idle during most of last season, according to the AAR.

This languid situation continued into November 1977, when complications began to develop.

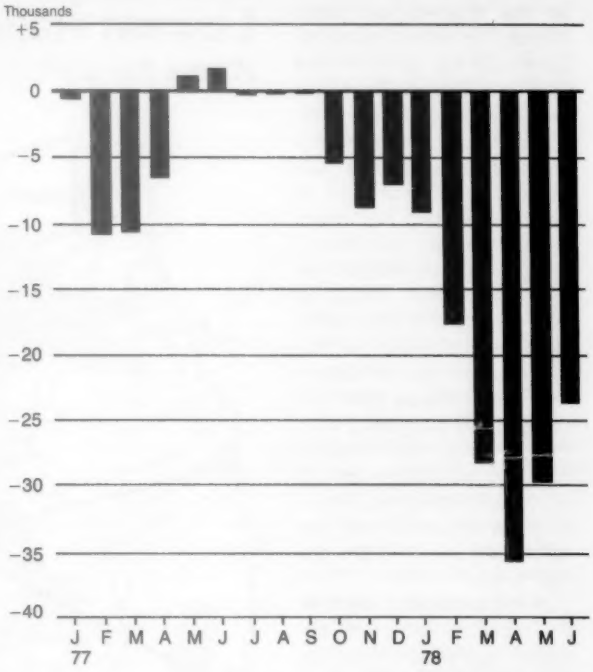
About that time, demand for carriers' equipment also had begun to turn around. During mid-November and December, large grain sales made to the USSR, Far East markets, and elsewhere prompted a 22 percent jump in grain railcar loading over year-earlier levels. In contrast, loadings during October through mid-November had been 12 percent below the previous year's. Demand for rail cars traditionally is high during this active harvest period.

Grain shipping continued to accelerate throughout the winter. Inspection of grain for export during January-June 1978 rose in most areas over that of the similar 1977 period. These inspections (in millions of bu) show: Pacific ports, 260.3 (versus 151.9 in January-May 1977); Lakes, 56.4 (56.9); Atlantic, 241.3 (198.7); Gulf, 911.2 (773.4).

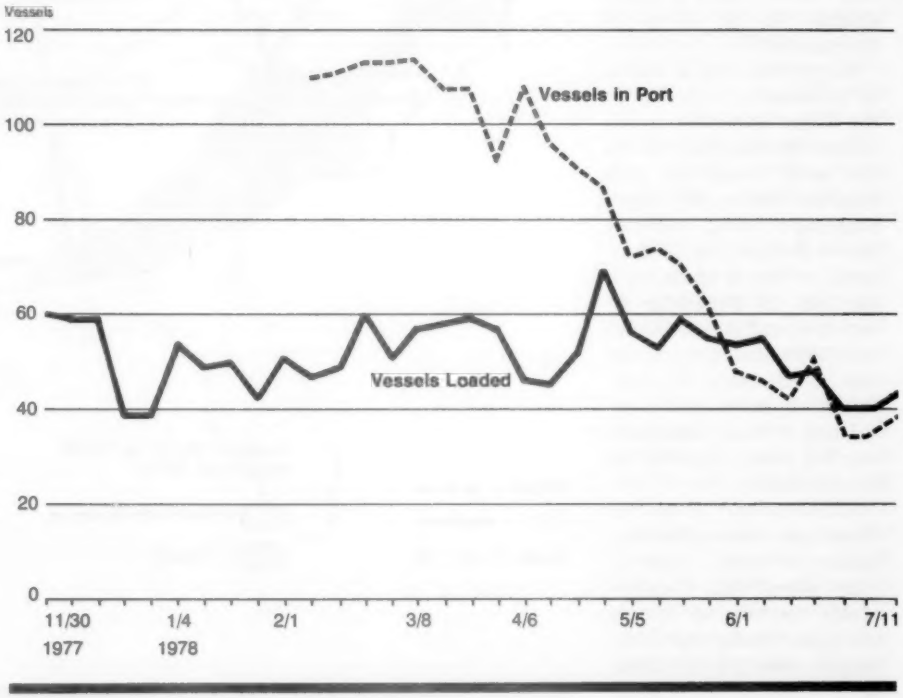
Reflecting this pickup, wheat exports in the first 5 months of 1978 ran 26 percent ahead of those in the same period a year earlier, and corn exports gained 13.5 percent

By the end of 1977/78 (July-June), 81 million tons of grain had been exported, compared with 75.8 million in 1976/77 and the previous

Average Daily U.S. Shortages of Covered Hopper Cars by Month, 1977-78



Weekly Ocean Vessel Loadings and Vessels in Port at U.S. Gulf and Mississippi River Ports, November 30, 1977 to July 11, 1978



peak of 81.4 million in 1975/76.

Coinciding with the spurt in demand were explosions at the Continental Grain elevator in New Orleans on December 22, 1977, and the Farmers' Export Company elevator in Galveston on December 27. These explosions contributed to a 10.5 percent drop in storage at export terminals last year.

The disasters also necessitated massive transfers of grain to other elevators plus rerouting of shipments that were already on the way to the two elevators. As a result, Texas ports became highly congested during January, and several port embargoes—under which additional movement of grain into terminal elevators is banned—were put into force.

At the same time, the rate of inspection of grain for export was affected by the more stringent safety procedures adopted by grain and safety inspectors.

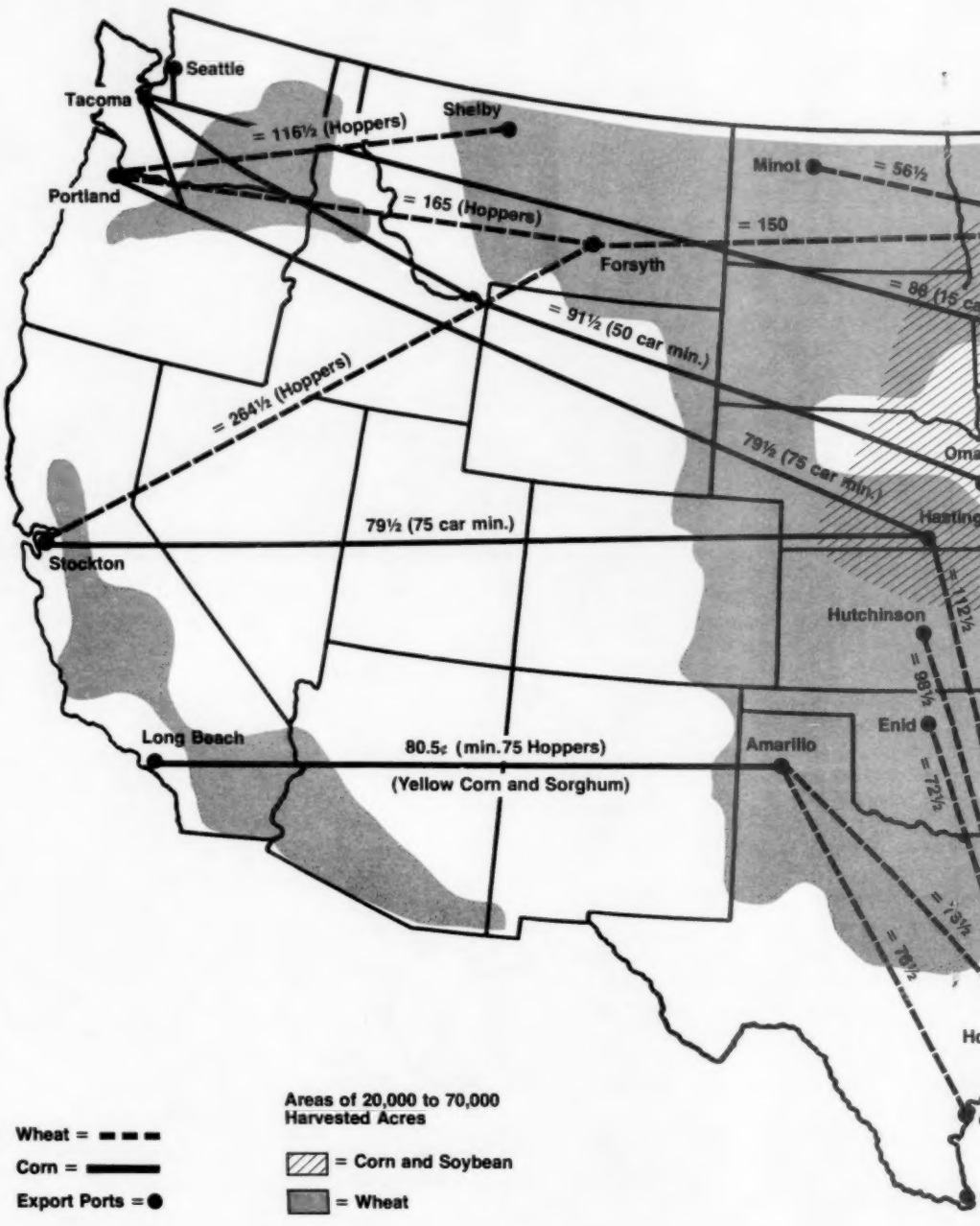
Meanwhile, one of the worst winters on record was brewing up a spate of trouble for all forms of transportation.

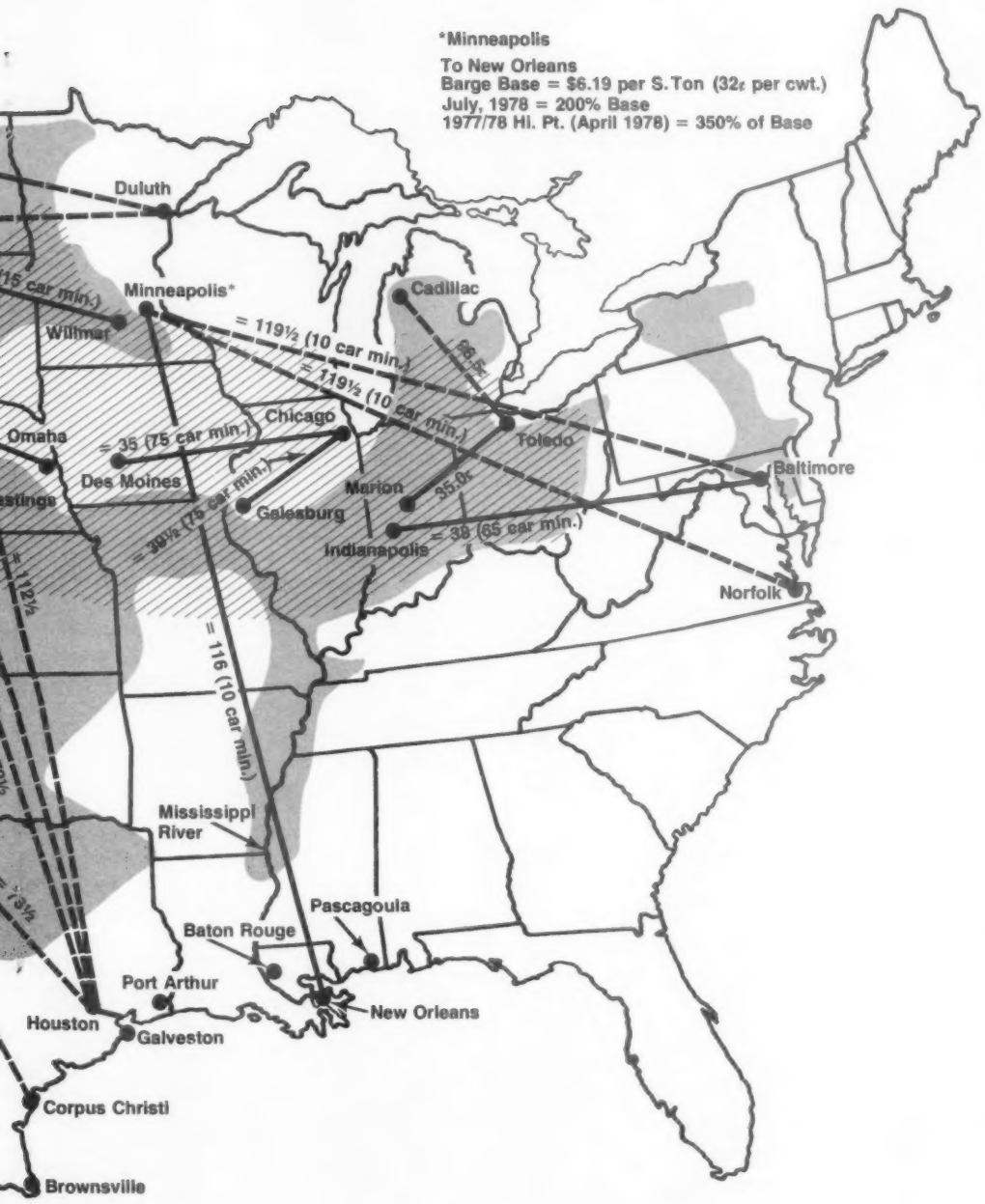
During the first 2 weeks of December, shipping on the Great Lakes and upper Mississippi was slowed by the early onset of cold weather. Ice on the upper Mississippi, and Missouri Rivers stopped barge shipments in some spots from the first of December to mid-April and on the Illinois and Ohio Rivers from the last of January to mid-March. In some cases, reopening of these waterways was 1-2 weeks beyond the normal date.

Locks 26 and 27 on the Mississippi were additional sources of trouble. Lock 27 (just above St. Louis)—which handles all Illinois and upper Mississippi River barges—was out for repair early in the spring, and an

Wheat and Corn for Export with Major Producing Areas and Lowest Railroad Rates to U.S. Ports

(Cents Per CWT.)





auxiliary lock had to be used. Lock 26 at Alton, the oldest lock in the upper Mississippi lock and dam system, was a congestion point throughout the spring.

Moreover, lowering of high spring flood waters left large silt deposits in some spots in the upper Mississippi.

For the railroads, the cold, snowy weather led to multiple tieups, particularly in the Eastern United States and the upper Midwest. Heavy snows plugged railroad switches and shorted out electric motors of locomotives. Hopper and box cars thus stranded were prevented from returning to major distribution points for additional loadings. And cold weather caused metal to become brittle, contributing further to equipment breakdowns at a time when getting repair work done was exceedingly difficult.

By April 1978, these problems had created a massive traffic jam and pushed U.S. producers' shipping costs far above normal levels. Boxcar supply for the movement of cotton was some 2 months in arrears, the fertilizer industry was reporting as many as 2,000 cars short per week, and the grain trade was encountering major transportation problems throughout the producing area.

Average daily shortages of covered hopper cars for grain by this time were over 35,000—more than 2½ times peak shortages of 1972/73.

Ports were reporting backups of ocean vessels waiting to load. By late March and early April over 100 vessels a week were waiting at Gulf ports. And barge rates—good indicators of demand since they are unregulated as opposed to the fixed rail rates—reportedly jumped 220 percent at the opening of the

upper Mississippi in April over 1977 rates in response to heavy demand.

Concurrently, fees charged at the port to transfer grain from rail cars through elevators and into ships were soaring to their yearly highs. By April 3, Gulf transfer charges for wheat and corn each had hit 22 cents per bushel, compared with 4 and 8 cents, respectively, on August 3, 1977.

The Response

In reaction to the crisis, numerous efforts have been made to pinpoint especially acute problems and equalize the flow of trade. These actions have included:

- A number of Car Assistance and Car Relocation Directives by the AAR, whereby cars are moved to areas of greatest need;
- Issuance by the ICC of numerous Car Service Orders aimed at speeding up the car turnaround time;
- Operation of a "hot line" desk in USDA's Agricultural Marketing Service to collect and study information supplied by shippers and forward it daily to the ICC.
- Senate Agriculture Committee approval of a bill directing USDA investigations of how the current railcar shortage came about, what could be done to ease it, and how to prevent future shortages.

The ICC and AAR programs will lead to faster turnaround of railroad grain cars, which normally lie idle in railroad yards some 60 percent of the time.

The railroads also are upgrading trackage to handle heavier hopper cars. And traffic has evened out as more ports and carriers have increased their grain handling. Some examples:

- Reduced unit train rates put into effect last year for corn and sorghum have made shipping out of some Pacific Northwest ports an attractive alternative to shipping via the Gulf for U.S. grain farmers in the Midwest.

Grain inspections for export show 8.1 million bushels of corn inspected for export from Puget Sound ports during January-May 1978, compared with none in the same period of 1977.

- Great Lakes ports are handling more wheat, corn, soybeans, barley, and oats from Midwestern States as a result of good rail and truck rates and large loading capacities at ports such as Superior and Duluth. All told, the Great Lakes handled 41 percent more grain-hauling ocean vessels during April and May than in the 1977 period.
- Shippers are making use of trucks, barges, and combinations of the two that in many cases are less costly and faster than traditional means.

The Minneapolis Grain Exchange records show that in January-May 1978 trucks moved 100 million bushels into the Minneapolis-Duluth market, compared with 76.4 million during the same period last year.

Barge movement out of

Continued on page 16

U.S. Grain Transportation Data, Mid-May Through Early July, 1977-78

Week ending	1978	Comparable week, 1977
Rail carloadings:	*Units*	*Units*
May 20	26,884	19,385
May 27	26,131	20,485
June 3	25,101	16,909
June 10	28,739	25,715
June 17	29,117	25,175
June 24	30,406	22,185
July 1	30,412	24,984
July 8	29,434	23,099
July 15	29,398	25,861
Barge loadings:	*1,000 bu.*	*1,000 bu.*
May 19	35,695	33,254
May 26	38,057	28,990
June 2	26,410	24,134
June 9	40,751	31,383
June 16	38,088	27,368
June 23	34,607	31,074
June 30	29,577	28,195
July 7	29,271	25,920
July 14	25,393	29,904
Inspections for export:	*1,000 bu.*	*1,000 bu.*
May 26	93,705	56,761
June 2	86,536	57,541
June 9	95,002	58,990
June 16	90,440	55,491
June 23	94,696	52,899
June 30	98,985	59,250
July 7	70,135	42,119
July 14	82,456	61,681
July 21	78,871	65,439

Source: Association of American Railroads.

U.S. Wheat and Corn Export Movements in Current Marketing Year[1]

Item	Wheat	Corn
	1,000 metric tons	*1,000 metric tons*
Cumulative exports in current marketing year[2]	1,981	34,343
Outstanding export sales	7,127	10,055
Export projection for year:		
High	35,400	44,450
Low	27,200	44,450
Remainder to move:		
High	33,419	10,107
Low	25,219	10,107
Average moved per week this marketing year[2]	660	904
Implied rate for remaining weeks:		
High	682	721
Low	515	721
Percent of projected exports already moved:	*Percent*	*Percent*
High	7.8	77.3
Low	7.3	77.3

[1] Marketing years begin in June for wheat and October for feedgrains.
[2] Through June 25, 1978. Based upon U.S. exports sales July 6, 1978.

Daily Average of U.S. Grain Car Surpluses or Shortages on a Weekly Basis, May-Early July 1977-78

	1978		1977	
Week ending	Boxcar	Covered hopper	Boxcar	Covered hopper
May 6	−6,384	−31,991	3,946	−996
May 13	−6,397	−31,283	5,284	627
May 20	−5,513	−28,343	5,940	1,955
May 27	−5,349	−28,322	7,811	2,577
June 3	−5,097	−25,906	8,448	4,002
June 10	−5,078	−27,260	8,238	2,020
June 17	−5,256	−26,609	8,595	386
June 24	−4,636	−23,840	8,302	705
July 1	−4,037	−20,202	7,912	1,486
July 8	−3,223	−13,618	6,318	−32

Source: Association of American Railroads.

Tokyo Round Tariff Negotiations Assessed

By John F. Hudson

Following a series of intensive trade discussions, a "Statement by Several Delegations on Current Status of Tokyo Round Negotiations," was released in Geneva on July 13, 1978. The statement assesses the progress to date in the Multilateral Trade Negotiations. In general, it concludes that there is "a framework of understanding" of the elements necessary to ensure a successful conclusion of negotiations, and there is agreement to work toward that end. The statement is broadly supported by the delegations of most developed countries. The developing countries did not participate in the drafting and therefore did not associate themselves with the statement at this time. Nevertheless, their concerns are addressed and will be further incorporated into the negotiations this fall.

Agriculture is confirmed as a key sector for which important benefits must be obtained in the Multilateral Trade Negotiations (MTN's). In a joint statement issued in Geneva on July 13 by several of the major trading countries, it was made clear that "a positive result in agriculture is critical to the successful completion of negotiations in the Tokyo Round" and it was asserted that "there is a sound basis to proceed to the final development of a significant package during the weeks ahead."

While much remains to be done, progress has been made on several agricultural commodity agreements, on general codes or rules governing both industrial and agricultural trade, and on the removal or reduction of specific trade barriers faced by United States exports. Work in each of these areas will resume in Geneva early in the fall with a view to completion of a package for submission to Congress by the end of the year.

(At the recent economic summit in Bonn, President Carter called for the successful conclusion of the Tokyo Round of negotiations by December 15, 1978.)

With respect to commodity agreements, the joint statement notes that:

- Negotiations are continuing on wheat, coarse grains, dairy products, and meat.
- Differences of view on grains have been narrowed. (Talks are to resume in October.)
- The framework of the dairy and meat agreements is essentially complete. Understandings on particular products are still to be negotiated.

In the area of general codes or trading rules, the subject of greatest importance to agriculture is subsidies. Present General Agreement on Tariffs and Trade (GATT) rules on primary products, including agricultural items, provide only that subsidies may not be used to enable a country to gain "more than an equitable share of world export trade."

The rules take into account the shares of the contracting parties in trade in the product concerned during a previous representative period and any special factors that may have affected or may be affecting trade in such product.

The major developed countries have committed themselves "to reach a common understanding to avoid distortions of trade in traditional markets through the use of subsidies." This means that they have agreed "to develop appropriate definitions for markets and representative periods for reference in case disputes arise."

These specific undertakings with respect to agriculture represent a substantial forward step and would be part of a general code on subsidies and countervailing duties covering both industrial and agricultural products. Other provisions remain to be elaborated.

Regarding other general codes, the joint statement notes progress in a number of important areas:

- A code has been drafted for instituting a harmonized and fair international system for determining the value of goods for customs purposes.
- A text has been drafted covering rules to open government procurement to international competition by means of agreed, nondiscriminatory, and transparent (open to view and comment) procedures under international supervision. Product coverage remains unresolved.
- A draft standards code is near final form and should be completed in early autumn. The objective of this code is to promote the use of internationally agreed up product standards, where appropriate, and to provide a better basis for avoiding or eliminating unnecessary technical barriers to trade.
- Delegations will actively seek an international agreement to strengthen rules and procedures, to protect trademarks and copyrights, and to stop trade in counterfeited goods.
- Texts have been drawn up that provide the basis for agreement to assure that import licenses "are employed only when necessary, are not designed to distort trade, are transparent, and are administered in a fair and equitable manner."
- There is agreement that a new code of rules is needed to govern safeguard actions (emergency or unavoidable trade restrictions). The code should provide for a new body "to review particular actions and matters affecting the operation of the code, assist in resolving disputes and effectively deter abusive and unjustifiable recourse to safeguard action."
- Finally, there is a series of detailed draft texts designed to strengthen the legal framework of the GATT, to provide a better basis in GATT for the special and differential treatment of developing countries and their increasing acceptance of responsibilities as their development proceeds, to improve dispute settlement

Continued on page 15

Mr. Hudson is Director, Trade Negotiations Division, International Trade Policy, FAS.

Irish Lamb's Unlimited Entry Into France Leaves Some Unhappy

By Robin Mosse

The Irish sheep industry, for so long the Cinderella of Irish agriculture, is at last set for recovery, following an informal trade agreement worked out between French and Irish agricultural officials. But although the pact, announced in late December 1977, will give a strong upward push to the Irish industry, it is not being received with equal joy by all sectors of the economy.

Irish consumers—whose voices still are relatively faint—object to the higher domestic lamb prices that already have resulted from the pact. Also, some Irish sheep farmers believe the industry would be better protected under an EC Common Agricultural Policy (CAP) for sheep.

They point out that the agreement, announced by Irish Agriculture Minister Jim Gibbons, is not backed by a written document. But the Minister has stated Irish lamb will have unlimited access to the French market, subject only to quality standards.

U.K. lambmeat exporters, on the other hand, claim the pact is really a bilateral agreement that excludes U.K. lamb from the French market and is illegal under EC arrangements.

One of the advantages of EC membership originally put forth by the Irish Government and other proponents of Irish accession was the expected unrestricted access to all EC markets. The anticipated sales boost was to have been particularly meaningful to sheep producers in the poorer, hilly regions of Ireland—an area constituting over 1.42 million hectares, about one-fifth of Ireland's total land area—because farmers there depend on sheep production for much of their income.

In anticipation of the opening of Community markets, particularly that of France, Irish farmers began to expand sheep numbers in 1971. These numbers peaked in 1974, the first full year of Ireland's Community membership. However, sheep and sheepmeat did not move freely across the channel and before December 1977—when the pact was made—the full potential of the Irish sheep industry lay untapped.

Farmers, experiencing relatively low and widely fluctuating market prices, particularly because of the lethargy of the lamb export market, continued to invest their resources in other farm enterprises such as beef production, dairying, and arable crops—markets more secure since they were protected by the CAP. Consequently, sheep numbers declined almost 14 percent between 1974 and 1977.

But the new agreement is bringing about a change in this attitude and one relatively immediate effect of the agreement should be an increase in Irish sheep numbers.

The strong export demand for lamb is also boosting prices received by Irish sheep farmers.

Irish farm prices have risen from the level of $2.20 per kilogram (deadweight) experienced at the end of 1977 to a point closer to the French market price of about $4 per kilogram, where prices have stabilized. This concentration on the French market could also result in shortages on the home market.

Mountain flocks remained relatively stable in the years between 1973 and 1976, and at least initially, the most significant growth probably will take place in lowland flocks, which decreased in size during those years. Prospective increases in sheep numbers in the short run may be at the expense of growing cattle or crop tillage.

One of the most important results could be a substantial increase in Irish agricultural output. Increased sheep production, because of the much stronger export demand, could greatly stimulate farm output in poorer and more backward areas, which so far have been least affected by the boon of EC membership. Considerable improvements in efficiency are possible in these areas, stimulated by higher prices and a more reliable market.

The Irish Agricultural Institute, in a study entitled "Potential of Irish Land for Livestock Production," revealed that farmers in mountain areas could boost stocking rates from a probable average of about 10 livestock units per 40 hectares to an average of 20 units. This would probably add some 300,000-350,000 livestock units to current levels. (A livestock unit is a single cow or its equivalent.)

Other more sociological problems are helping to hold back expansion in sheep herd numbers. Education is still a limiting factor. Many farmers' sons still leave school at an early age and only a few get the opportunity to receive any formal agricultural training.

Also, many of these areas contain a very high proportion of elderly and often unmarried farmers, who tend to be overly conservative and often lack the incentive and ability to make the necessary improvements. Much more attractive schemes than have so far been available are necessary to encourage farmers to retire.

With or without the structural changes in the domestic industry, alterations in Irish trade in mutton, lamb, and live sheep, as a result of the pact with France, may be profound.

Not only will exports increase in line with production but it is likely carcass

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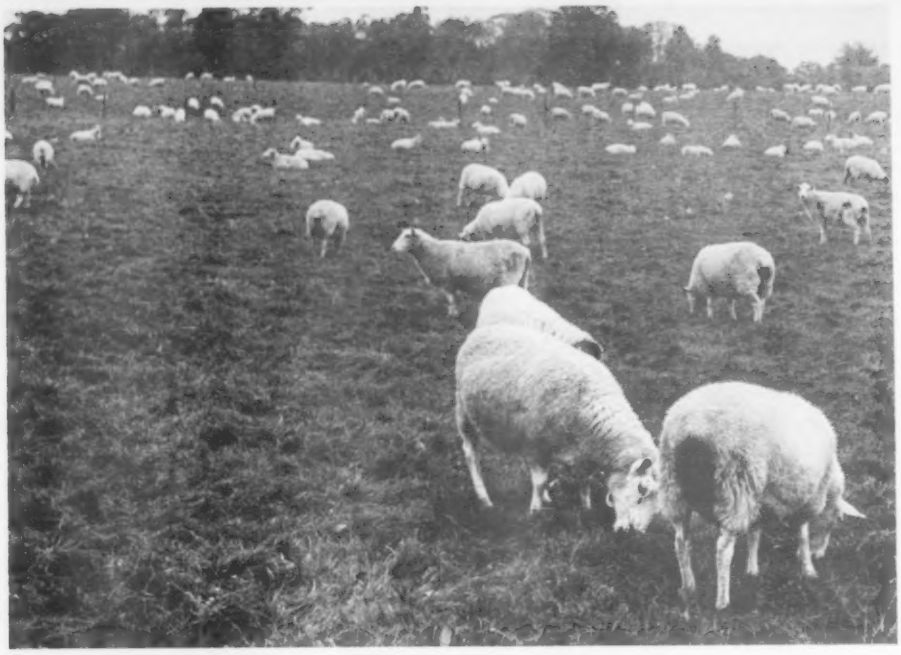

Irish lowland intensive ewe flock. The first impact of the Irish-French pact will be felt by lowland sheep producers.

exports may grow at the expense of live sheep shipments. This is because the pact opens the French market to carcass lamb rather than live sheep.

Irish mutton and lamb exports totaled 6,396 metric tons in 1977, compared with 7,273 tons in 1976 and 11,658 tons in 1975. In 1977, France took 1,971 tons of lamb.

Ireland's live sheep exports were about 115,905 head in 1977, up from the 103,561 in 1976, but down from 208,406 in 1975.

In 1976, three-quarters of Ireland's live sheep exports went to the United Kingdom, while in 1977 just over half went there. Most of the other half were exported to Belgium and Luxembourg, and from there many of them probably found their way to France. It now is probable that much more of Ireland's potential live sheep exports will be slaughtered at home and sent directly to France as carcass lamb.

Ireland's sheep imports were 221,189 head in 1977 and 186,300 head in 1976, with Northern Ireland the only supplier because of the Irish Republic's stringent animal health regulations. If the United Kingdom continues to be excluded from the French market, imports from Northern Ireland can be expected to flow south to the comparatively higher priced Irish market for slaughter and export.

Unofficially, in 1977, Ireland's per capita lamb consumption was the highest in the EC and the fourth highest in the world, but the impact of France's purchases may cause it to fall.

In 1975, the latest year for which official data are available, Ireland's per capita lamb use was 11 kilograms, just ahead of the United Kingdom at 9 kilograms per person, and well above France's 4 kilograms.

(By comparison, in 1975 Ireland was the EC's third largest per capita beef consumer (29 kilograms) and the sixth highest pork consumer.)

Irish lamb consumption fell to 10 kilograms per person in 1976 and probably stood at the same level in 1977. Already in 1978, consumption has been adversely affected by the higher prices resulting from the agreement to serve the French market.

As lamb has risen in price, public reaction predictably has been varied, depending on the interests involved. Farmers and their leaders are euphoric, although their enthusiasm is dampened by the lack of a CAP for sheep .

The leader of the Irish Consumers Association, on the other hand, reportedly described the pact as "disastrous." But the interests of the consumers may receive slight regard as the movement, although growing, has relatively little influence, compared with that of the farmer organizations.

In the background is the running quarrel between the United Kingdom and France and Ireland. Britain has protested to France and Ireland that the pact was made without prior consultations with the United Kingdom and that its effect is to discriminate against U.K. lamb.

The French respond that as long as the United Kingdom allows substantial imports of New Zealand lamb, British farmers are in a position to flood the French market with U.K. lamb, while eating cheaper New Zealand lamb at home.

And the Irish are understandably strongly resisting U.K. attempts to end their agreement with France.

Observers believe that none of the three main interested partners really wants a CAP for sheep. France fears it could lower French lamb prices and flood the French market; the United Kingdom sees a CAP raising consumer prices; while Ireland, although the most interested of the three, fears current EC proposals will result in lower prices than are available under the present arrangement.

However, if the disagreement among the three countries persists, the Community may be forced to adopt a policy for sheep just to still the clamor. □

CCC-OPIC Program Aimed At Boosting Farm Exports

By Ralph E. Spencer

Improved coordination by the Overseas Private Investment and the Commodity Credit Corporations will create opportunities for U.S. exporters by making available new financial arrangements.

The Overseas Private Investment Corporation (OPIC) and USDA's Commodity Credit Corporation (CCC) have announced a joint effort to stimulate exports of U.S. agricultural commodities through coordinated use of their export financing facilities.

This cooperation should enable the two groups to carry out projects jointly that would not be developed by either agency alone and encourage U.S. companies with recognized capabilities in agricultural management and marketing to help expand and improve livestock and processing industries in developing nations that cannot efficiently produce most grains. Some of these countries are potentially large markets for U.S. feedgrains, soybeans, wheat, corn, and rice, according to George Shanklin, Acting USDA General Sales Manager, and Rutherford M. Poats, Acting President of the Investment Corporation.

OPIC provides loans, loan guarantees, and political risk insurance for private U.S. investors in 90 developing countries. In addition to these services, joint ventures between U.S. companies (or U.S. equity or management interests) and a business firm or cooperative in a developing country may now obtain working capital through financing under the CCC Export Credit Sales Program.

Under this program, CCC finances exports of U.S. wheat, feedgrains, cotton, tobacco, soybeans, and certain soybean products, vegetable oils, breeding cattle and swine, and a number of other agricultural commodities.

Financing runs from 6 months to a maximum of 36 months, with equal annual payments of principal plus accrued interest. Export financing is accomplished through purchase of the U.S. exporters' accounts receivable.

For all transactions, CCC requires an irrevocable commercial letter of credit from an acceptable foreign or U.S. bank in favor of CCC, authorizing that agency to draw drafts when payment is due. Interest rates are set in keeping with U.S. commercial rates and are announced on the first of each month.

Projects lending themselves to combined OPIC-CCC credit financing will fall into three categories:

- **Livestock.** New or expanded companies in developing countries that would produce for sale in local or regional markets, poultry, cattle, hogs, sheep, goats, or fish. OPIC financing, guarantees, or insurance, would be used to develop the enterprise, with CCC credit financing for imports of U.S. grain, soybeans, or meal for use as livestock or poultry feed. U.S. producers also could provide genetic breeding stock for cattle or swine under CCC credit financing.
- **Processing.** Development of facilities to process U.S. commodities into flour, feed, oils, starches, or other processed products.
- **Storage and handling.** Developing ports, storage, or handling and distribution facilities to encourage large imports of U.S. agricultural commodities.

To be eligible for OPIC-project financing, the borrower should be a company organized to operate in a developing country, basically privately controlled, and have substantial U.S. private sector management and equity participation (25 percent or more).

The U.S. sponsor must be experienced and successful in the proposed project area.

Financing. Must be for a new project or a substantial expansion and/or modernization of an existing project. The project should be soundly capitalized, including a substantial cash equity. OPIC can finance or provide loan guarantees of up to 50 percent of total project costs (or 75 percent of the amount needed for an expansion).

The project must be beneficial to the host country. There must not be any substantial net adverse effects on U.S. agriculture. It must allow use of OPIC funds for U.S. purchases locally or in other developing countries.

The project should offer sound and clear prospects for profitable operations and loan repayment from business operations.

Whether or not OPIC financing is applied for, OPIC insurance against political risks of inconvertibility, expropriation and war, revolution or insurrection is available.

Eligibility requirements for OPIC insurance are similar to those for OPIC financing, except there is no requirement setting a minimum percentage of U.S. ownership or participation. Equity and loan funds insured by OPIC must normally be spent primarily in the United States and/or developing countries.

Inquiries concerning OPIC financing, guarantees, or insurance should be sent by cable or mail to Information Officer, OPIC, 1129 20th St. N.W., Washington, D.C. 20527, telephone (202) 632-1854, and should include a brief description of the proposed project, outlining the market size and competition, the probable cost, the approximate volume of U.S. commodities that might be imported, the interest, experience, and reputation of the local sponsor. Similar information also must be provided about the potential U.S. sponsor. Applications also should make known any intent to utilize CCC credit financing.

Inquiries concerning CCC credit should be made to the Assistant Sales Manager for Commercial Export Programs, Office of the General Sales Manager, USDA, Washington, D.C. 20250; telephone (202) 447-7791 or 447-6225. Interested parties should inform USDA if a project financed, guaranteed, or insured by OPIC is involved. □

The author is Deputy Director, Commercial Export Programs, Office of General Sales Manager, USDA.

Continued from page 11

Tokyo Round . . .

and management procedures, to provide better discipline over trade measures taken for balance of payments purposes, and to elaborate on rules governing export controls.

The removal or reduction of tariffs and nontariff barriers on specific products has been approached in several ways, and negotiations, therefore, are in several stages of completion.

Concerning agricultural and fishery products, negotiations have proceeded by first drawing up lists of specific requests or indications of the actions sought from each country. Offers were then tabled in response to those requests.

Virtually all developed countries have submitted both requests and initial offers. Over 40 developing countries have submitted requests, and approximately one-fourth of these countries have also indicated actions they are prepared to take to give greater assurance of access into their markets for specific imported products. Discussions in this area will continue in the fall.

Regarding industrial tariffs, the developed countries have generally applied a mathematical formula for across-the-board reduction of tariffs with a minimum of exceptions. The objective remains "a substantial degree of liberalization compared with the Kennedy Round." Delegations are now proceeding to reciprocal adjustments in their initial offers involving both improvements as well as exceptions.

Developing countries have handled their industrial tariffs through a request-offer procedure comparable with that for agricultural products.

All nontariff barriers other than those being dealt with in the general codes referred to above are subject to negotiation in a request-offer procedure.

Agreement was reached on the objective of negotiating maximum freedom of world trade in commercial aircraft, parts, and related equipment, including elimination of duties and, to the fullest extent possible, the reduction or elimination of trade restricting or distorting effects of other measures.

Negotiations on steel should be aided by discussions in the Organization for Economic Cooperation and Development (OECD), where a resolution is being prepared that would, among other things, set up a Steel Committee to establish, where appropriate, multilateral objectives or guidelines for government policies affecting trade in steel.

In addition to the negotiations on particular commodity agreements, codes, and the exchange of requests and offers, the delegations participating in the joint statement look to the establishment of an improved consultative framework under the GATT in order to strengthen that institution as a forum for high-level international consultations on trade policy.

With regard to agriculture in particular, the delegations "believe that the establishment of some fundamental understandings on the conduct of agricultural trade could provide a framework for avoiding continuing political and commercial confrontations in this highly sensitive area in the future. Such understandings should build on a group of principles to be worked out that would lead to an improved level of international cooperation among participants in their efforts to secure adequate farm incomes, stabilization of food prices, and expansion of trade in agricultural products.

"This aim could be achieved in the GATT through a systematic series of consultations, exchanges of information, and the establishment of a consultative committee for reviewing and implementing the understandings and possibly coordinating the work of subsidiary bodies." □

Sri Lanka To Get Big New Flour Mill

Under an arrangement with the Government of Sri Lanka, a consortium of three foreign companies headed by Prima Limited of Singapore is constructing a wheat flour mill, reportedly to be one of the world's largest, at Trincomalee. The mill is expected to begin production in January 1980.

Under the agreement, Prima will build the $30-million milling complex and provide milling services for 20 years in return for the milling of all products. The Government for its part is providing the physical site and guaranteeing to supply 400,000 metric tons of grain annually to the mill. At the end of 20 years, ownership of the mill will be turned over to Sri Lanka.

Reportedly, Sri Lanka officials expect that the country will save foreign exchange valued at $24 a ton by importing wheat and milling it domestically rather than importing flour. Sri Lanka has been importing about 500,000-600,000 tons of flour (wheat equivalent) and up to 150,000 tons of wheat a year. □

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Trade Teams—August

U.S. TEAM OVERSEAS

Date	Organization	Visiting
July 16-Aug. 4	Grain sorghum promotion team	Hong Kong, Malaysia, Philippines, Taiwan, Korea, Japan

FOREIGN TRADE TEAMS IN THE U.S.

Date	Organization	Visiting
July 13-Aug. 11	Wheat team from India	New York, Illinois, Nebraska, Missouri, Kansas, Louisiana, Oklahoma, Oregon, California.
July 20-Aug. 15	Wheat team from Sri Lanka	Oregon, Idaho, Oklahoma Louisiana.
Aug. 4-28	Wheat team from Republic of China	Oregon, Washington, Idaho, North Dakota, New York.
Aug. 9-21	Tobacco team from Lebanon	North Carolina, Kentucky.
Aug. 16-Sept. 11	Flour milling team from Pakistan	Washington, Oregon, Idaho, Montana, Kansas, Missouri.
Aug. 23-Sept. 13	Soybean processing team from Republic of China	California, Louisiana, Georgia, South Carolina, New York, Ohio, Indiana, Illinois, Missouri.

International Meetings—August

Date	Organization and location
July 25-Aug. 3	FAO Asia and Far East Regional Conference—Kuala Lumpur.
3-4	Association of South East Asian Nations Ministerial Meeting—Washington.
9-19	FAO Latin American Regional Conference—Montevideo.

Continued from page 10

U.S. Fights Transport Snarl

the Minneapolis ports to the Gulf also were up during January-May 1978 to 880 barges (45.6 million bu) from 860 barges (43.7 million bu) in the 1977 period.

• Grain storage capacity has increased at interior markets, taking some of the stress off port elevators. According to an AAR report, grain storage space at principal interior markets was 37.8 percent occupied as of June 17, 1978, compared with 42.4 percent at the same time last year.

May and June also saw some easing of rail car shortages and shipping charges.

Daily shortages of covered hopper cars dropped from an average of 31,991 in the week ending May 6 to 13,618 in the week ending July 8.

Barge availability improved, and rates fell accordingly. For instance, the July 13 barge rate for wheat from Minneapolis to New Orleans was down to 30.6 cents per bushel from the 65 cents of April 18.

Congestion at Gulf ports eased. The number of ocean vessels in these ports fell to 38 in the week ending July 11 from 114 during this year's record delay period of March 8-15. And as of June 2, grain transfer charges in the Gulf were some 50 percent below their March-April highs.

Whether these recent improvements will continue is difficult to say. Certainly, it will require peak performance of the transportation system to get through the long harvest season without encountering another snarl similar to that of March-April.

Yet with all carriers and regulating agencies geared up to meet the emergency —and the unusual conditions of last winter no longer hindering traffic— the crisis could turn the corner for good sometime this summer or early fall. □